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Solar and Energy Efficiency Rebates and Tax Credits

What help is available from my utility to install photovoltaics (PV) on my home or business?

Amendment 37, which was passed by Colorado voters in November 2004, contains a “solar set aside” provision that applies to Xcel Energy (service territory includes the metropolitan Denver area, Greeley, Vail, Grand Junction, and many other Colorado communities) and Colorado Aquila (service territory includes Pueblo, Canon City, Rocky Ford and adjacent communities). These two utilities are required to offer rebate programs that will write down the cost of installing PV systems on homes and businesses. Other utilities are free to offer rebates, but are not required by Amendment 37 to do so.

When will the rebates be available?

The Colorado Public Utilities Commission issued rules to implement Amendment 37 on February 3, 2006. The utilities will present their compliance plans to the PUC in the second quarter of 2006. Although we can't say with certainty, it is very likely that the rebates will be offered by Xcel and Aquila in April 2006.

How much of a utility rebate will be available?

Again, since the final rules are not yet available, we can't say for sure. However, Xcel has announced that the rebate will be \$4.50 per watt for residential-sized systems. Aquila has not yet announced what level of rebate they will offer.

Are state tax credits available for PV?

No. Colorado does not offer PV tax credits.

Are federal tax credits available?

Yes. But first we must state that CRES and CESC do not offer tax advice, which can ultimately only come from your tax professional. The Energy Policy Act (EPACT) was passed in August 2005. EPACT contains a provision that allows for a federal solar tax credit for systems that are placed in service between January 1, 2006 and December 31, 2007. You can claim a tax credit of 30% of what you paid for the installation (after the rebate), or \$2,000- whichever is less. If the installation is for a new home, the “placed in service” date is the time of occupancy by the homeowner. Systems that were installed prior to January 1, 2006 are not eligible. The Federal tax credit is 30% of the balance remaining of the total system cost, after the utility rebates have been paid.

What about systems that were purchased in 2005 but not installed until 2006?

If work started in 2005, but is not completed or “placed in service” until January 1, 2006, or after, it will qualify for the credit.

Does the federal tax credit apply only to PV?

No. The federal tax credit also applies to solar domestic water heating. It does not apply to domestic space heating, swimming pool heating, or spa heating.

What about a business credit?

A business tax credit applies to PV, domestic hot water, and concentrating solar power. EPACT extended this to December 31, 2007. In addition, EPACT increased the previous credit of 10% of the value of the solar system to 30% of the value. Unless amended by Congress, the tax credit of 30% reverts back to 10% after December 31, 2007.

How do these incentives work together?

Here is roughly what to expect when combining the utility rebates with the solar federal tax credit:

- Assume a typical 3000 watt (3kW) residential PV system.
- Assume a pre-rebate average cost of installing the system at \$8/watt. This equals \$24,000.
- Apply the anticipated utility rebate of \$4.50/watt, which equals \$13,500. The cost is now \$10,500.
- Apply the \$2,000 federal tax credit. The final out of pocket cost would be \$8,500.

Are there tax credits for residential energy efficiency?

Yes. The new bill provides tax credits for highly-efficient new homes, for improvements to existing buildings, high-efficient air conditioners and home fuel cell installed starting January 1, 2006. While the amount of the credits ranges from 10 to 30 percent or offers a fixed amount, depending on the measures you take, you're eligible to take advantage of multiple tax incentives when you buy a home or improve your current one. If you buy a new home that cuts energy use by at least 50 percent as compared to the model energy code, you will get a \$2,000 tax credit.

Fix up your current home with insulation or new windows or doors and you'll get a credit of 10 percent (up to \$500). Buying high-efficiency air conditioners, water heaters or fans can get you a credit up to \$300. There are other products and building strategies eligible for the credits also, including incentives specifically for manufactured homes. Detailed information on the incentives is available at www.energytaxincentives.org.

Where can I get more information?

www.cres-energy.org for the Colorado Renewable Energy Society

www.energyscience.org for Colorado Energy Science Center

[Xcel Energy- Solar](#) for Xcel Energy's solar information

www.millionsolarroofs.org for U.S. Department of Energy information

www.coseia.org for the Colorado Solar Energy Industries Association

www.seia.org for the Solar Energy Industries Association

www.ases.org for the American Solar Energy Society

www.acee.org for the American Council for an Energy Efficient Economy

www.energytaxincentives.org for the Tax Incentives Assistance Project